

United States Department of Agriculture  
Public Meeting on Implementation of Section 9006 of  
The Farm Security and Rural Investment Act of 2002  
December 3, 2002

Presented on Behalf of The National Association of State Energy Officials by  
Frank Bishop, Executive Director

Mr. Under Secretary:

The National Association of State Energy Officials (NASEO) is pleased to have the opportunity to offer our comments on implementation of Section 9006, and other energy-related provisions, of the Farm Security and Rural Investment Act of 2002. NASEO is an affiliate of the National Governors Association and NASEO's membership includes state, territory, and District of Columbia officials responsible for the development and implementation of their respective state energy programs. These state programs address every sector of the economy, including the agricultural sector. NASEO sees the Energy Title of the Farm Bill as a historic opportunity to expand critical energy programs in the agricultural sector, to save farmers money, increase productivity, reduce energy costs and improve the environment.

With the economy moving at a nearly stagnant pace, producers, manufacturers and consumers cannot afford to waste money on unnecessary expenses. At no time since the late 1970s have American citizens spent such a high percentage of their income on transportation fuels, heat, and electricity. Meanwhile, we recently went through a period of high prices during which some energy intensive manufacturers suspended production of goods and laid-off workers because it was more profitable to use their fuel supplies to generate electricity. The states and territories, through the state energy offices offer producers, manufacturers, businesses, and citizens a menu of programs and services that aid in mitigating the effects of high-energy costs.

One critical federal-state partnership, the State Energy Program, (SEP) improves the energy efficiency of schools, hospitals, small businesses, agriculture, industry, and homes. These programs target innovative energy conservation measures in all sectors of the economy with a myriad of activities from technical and educational workshops, to loans for energy efficiency measures, to grants for improving our schools. By leveraging substantial non-federal (private, state, and local) resources, SEP has succeeded in developing valuable, cost-effective programs that are sensitive to differing regional and state priorities.

Flexibility and leveraging are keys to the proven success of the SEP program. Nearly all of the state and territory energy offices operate their own alternative financing programs. Funding for the financial programs comes in the form of both public and private sector funds and amounts vary by energy office. Financing programs in the

states and territories include: revolving loans for commercial and small business, industry, non-profits, and individuals; interest rate reduction programs and loan guarantee programs are also available to these same groups and to individuals. Grants are also available, for the most part, to public entities and non-profits. The average SEP program leverages \$5 for every \$1 of federal funding. On the other end of the spectrum, SEP funds have been known to generate other investments to the tune of \$250 to \$1.

As the USDA pursues implementation of the energy provisions of the Farm Bill, we would ask that you draw upon the experience of our members in the states and territories who have been operating efficiency and renewable energy programs since the 1970's. Since NASEO's founding in 1986, energy offices in the 56 states, territories, and the District of Columbia have developed, implemented, analyzed, and re-engineered programs and projects valued in excess of \$10 Billion, with an average payback of less than 5 years.

An example of the successes of energy offices can be seen by visiting our web site at [www.naseo.org](http://www.naseo.org). I have attached to my written testimony copies of case studies of agriculture projects. For example, over 70 bioenergy projects and programs in a few states are either underway, or were recently completed. The projects which are highlighted in this document include a number of technical assistance projects and demonstrations from every region of the United States.

### Florida

In Florida, the state energy office has worked with Three Rivers Resource Conservation & Development Council in Milton, Florida, and developed a hydroponic, solar-assisted greenhouse farm that utilizes a technique to grow sea oats and other vegetables rapidly. Sea oats are a critical part of Florida's ecosystem, they function as natural sand traps and anchors for constructing the sand dunes. The sand dunes are critical because they provide protection to beach areas during hurricanes and other storms. Sea oats are protected by law, and the usual growth time is three to five years before they reach maturity. 3 Rivers RC&D is able to produce up to 100,000 sea plants ready for transplanting on a beach within ten weeks.

In this same Florida example, the Santa Rosa Sweet onion is produced in the same green houses. These onions are pesticide free, sweet, no-tears, and have four harvesting crops each year. A solar water-heating unit has been placed with the solar panels located in a reflecting tin-roofed, free standing, clear span and pole structure. The solar heating system is connected in line with the LP gas-heated hydroponic culture tank. Crayfish are grown in the heated hydroponic solutions, below the plant crop; a two-celled, subsurface flow, constructed wetland adjacent to the greenhouses are placed to purify hydroponic solutions fouled by crayfish metabolic wastes. The crayfish culture is being evaluated as a possible intercropping system in the solar heated solution. The liquid propane gas water heaters are placed on-line with a 4,000-gallon flow-through hydroponic culture tank. The LP gas system augments solar heating of hydroponic

solutions when needed, during days of reduced solar visibility. Four growth cycles are completed using sea oats and other valuable coastal plants.

### Vermont

The Vermont Department of Public Service (DPS) and the Vermont Department of Agriculture (AGR) have managed \$695,000 in federal funding over the past several years to promote the use of methane recovery technology on Vermont dairy farms. This technology has the potential to help farmers with their nutrient management plans and at the same time provide additional on-farm income. The goal of this program is to identify and help overcome key strategic hurdles to widespread adoption of methane recovery technologies by Vermont farmers.

### Oregon

The Oregon Office of Energy encourages Oregon farmers to invest in renewable energy sources. The renewable energy projects take many forms. For example, the advantages of small-scale hydropower projects are that they are essentially non-polluting, release no heat and have little environmental impact.

Crown Hill Farm in McMinnville is a third-generation farm and retail outlet established in 1920. The farm operations raise cattle, sheep, hogs, chickens, and harvest timber. The retail outlet specializes in wood, pellet and gas stoves, inserts and accessories. Mother and son, Juliette and Lucian Gunderman, run Crown Hill Farms. The father was killed in a 1979 tractor accident. In 2000 the McMinnville Junior Chamber of Commerce named Lucian as Outstanding Young Farmer of the Year.

Lucian Gunderman applied for a hydroelectric permit to divert water from springs and rain runoff into two reservoirs, tributary to Baker Creek for the purpose of power generation. They are both non-fish bearing tributaries. The project diverts 4.0 cubic feet per second and has a gross head of 170 feet to develop an estimated 56.81 horsepower. He wants to use the power, sell excess power to benefit the general public and control run-off.

### Hawaii

In Hawaii, program activities include establishment and maintenance of a state bioenergy information network, co-sponsorship of three bioenergy workshops and conferences, and a statewide biomass resource assessment that will be leveraged to develop projects toward greater use of bioenergy. Under the program, federal biomass-related funding opportunities, newsletters, and technical resource information are distributed statewide on a regular basis. The program works with the agriculture industry to facilitate and leverage the use of federal program resources for current projects including facilities and resource assessments, and research and development.

While the project examples listed above are targeted at specific audiences, a number of states have made a commitment to agriculture by setting aside funding for financing numerous agricultural efficiency and renewable projects. California, Nebraska, New York, and Wisconsin all operate public benefits programs. These programs are funded by utility ratepayers, operated, in this case, by the state and must serve a public good as mandated by the legislature and/or the Governor. In these 4 states, over \$725 million is currently available in competitive financing for efficiency and renewable programs benefiting virtually every sector of the U.S. economy including agriculture and small businesses, manufacturers, and homeowners. In these same 4 states, over \$95 million is available for financing agricultural efficiency and renewable energy projects.

Section 9006 of P.L. 107-171 calls for the USDA to fund between 25 and 50% of total project costs. NASEO members have under the control of their offices over \$100 million in dedicated financing for agriculture/energy programs. We also have a proven record of successful management and oversight of agricultural efficiency and renewable projects through a variety of programs including the SEP Program. The simple fact is that if the USDA does not want to reinvent the wheel and wants to efficiently operate this program, the state energy offices stand ready to work with the Department to help manage and implement the Energy Title of the Farm Bill, especially Section 9006. The Department also should not restrict eligibility for uses of the program funds. We should seek to leverage resources from a variety of sources. Coordination with the state energy offices and with the U.S. Department of Energy will be critical in this effort. Consequently, we ask that you work with the state and territory energy offices in the implementation of Section 9006. United, our members and the USDA have a great deal to offer our nation's farmers, ranchers, and rural small businesses.